

Message Text

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PAGE 01 STATE 049140

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ORIGIN NEA-09

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TO AMEMBASSY COLOMBO PRIORITY

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E.O. 11652: N/A

TAGS:

SUBJECT: PL 480 TITLE I AGREEMENT

REF: A) COLOMBO 531; B) COLOMBO 589

1. PROPOSED TITLE ONE AGREEMENT BASICALLY IS THE SAME AS
PL 480 AGREEMENTS SIGNED EARLIER BY GSL. PART ONE AND
THREE OF PROPOSED AGREEMENT ARE STANDARD FOR ALL COUNTRIES
AND NOT RPT NOT SUBJECT TO CHANGE. PART TWO IS TAILORED
TO INDIVIDUAL COUNTRY SITUATIONS BUT PROVIDES ONLY TWO TYPES
OF CREDIT TERMS: CONVERTIBLE LOCAL CURRENCY CREDITS (CLCC)
UP TO A MAXIMUM OF 40 YEAR TERMS OR 20 YEAR DOLLAR CREDITS
(DC). OUTLINED BELOW IS U.S. POSITION ON SPECIFIC ISSUES
RAISED COLOMBO 531.

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PAGE 02 STATE 049140

2. PART TWO, ITEM TWO, PAYMENT PROVISIONS CONTAINED IN THE PROPOSED TITLE I AGREEMENT ARE IDENTICAL TO THOSE COVERED IN RECENT PL 480 AGREEMENTS SIGNED DEC. 20, 1971 (AND AMENDED 11/3/72), NOV. 23, 1973, AND FEB. 21, 1974, WHICH SPECIFIED CLCC TERMS, AND PROVIDE 40 YEARS REPAYMENT PERIOD WITH U.S. OPTION TO REQUEST PAYMENT IN DOLLARS, CONVERTIBLE LOCAL CURRENCY OR CONVERTIBLE THIRD COUNTRY CURRENCIES. ALTHOUGH USG HAS CONTINUED TO REQUEST PAYMENT IN DOLLARS

UNDER PAST CLCC AGREEMENTS, WE RETAIN THE OPTION TO REQUEST PAYMENT IN CONVERTIBLE LOCAL CURRENCY OR IN OTHER CONVERTIBLE CURRENCY AS REQUIRED UNDER CLCC TERMS. AS INDICATED PARA ONE GSL ALTERNATIVELY COULD SEEK DC TERMS WHICH AT MAXIMUM PROVIDE FOR 20 YEAR PAYMENTS AND UP TO TWO YEAR GRACE PERIOD.

3. PART ONE, ARTICLE THREE, A.2: IT APPEARS GSL WORLD-WIDE TENDER PROCEDURE FOR COMMERCIAL GRAIN PURCHASES, IF ADMINISTERED IN NON-DISCRIMINATORY MANNER, MEETS REQUIREMENTS OF THIS SECTION. TO NAIL THIS DOWN WE PROPOSE THAT THE AGREED MINUTES REFLECT THE GSL'S UNDERTAKING TO ASSURE THAT ALL GSL NON-CONCESSIONAL, COMMERCIAL PURCHASES BE PROCESSED UNDER INTERNATIONAL TENDER WITH FREE AND FULL ACCESS BY U.S. EXPORTERS.

4. PART THREE: THIS PROVISION IS REQUIRED BY STATUTE AND CAN NOT RPT CANNOT BE AMENDED. YOU MAY, HOWEVER, CALL GSL ATTENTION TO PART ONE, ARTICLE THREE, H. WHICH PROVIDES THAT QUOTE: TWO GOVERNMENTS SHALL, UPON REQUEST OF EITHER OF THEM CONSULT REGARDING ANY MATTER ARISING UNDER THIS AGREEMENT, INCLUDING THE OPERATION OF ARRANGEMENTS CARRIED OUT PURSUANT TO THIS AGREEMENT. UNQUOTE.

5. BEGIN FYI - IN OUR PL 480 NEGOTIATIONS WITH INDIANS, THEY HAVE RAISED ISSUES SIMILAR TO THOSE OUTLINED COLOMBO 531. WITHOUT CHANGING BASIC AGREEMENT (TO AVOID CONFLICT WITH PRINCIPLES OUTLINED PARA ONE ABOVE), IN NEGOTIATIONS WITH INDIANS, WE HAVE INDICATED WE WOULD INCLUDE PROVISION IN THE "AGREED MINUTES" WHEREBY USG ELECTS TO TAKE PAYMENT IN DOLLARS. WE QUESTION NECESSITY OF SUCH ARRANGEMENT WITH LIMITED OFFICIAL USE

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PAGE 03 STATE 049140

GSL SINCE, UNLIKE IN INDIA CASE, U.S. HOLDING OF CEYLONESE RUPEES HAS BEEN RELATIVELY SMALL AND HAS NOT BEEN A POLITICAL ISSUE. WE EXPECT TO RETAIN OPTION FOR LOCAL CURRENCY PAYMENT IN SRI LANKA. INDIANS HAVE ACCEPTED PROVISIONS OF PART ONE, ARTICLE TWO, A.2 AND PROVISIONS OF PART THREE. END FYI.

6. IN VIEW LIMITED TIME REMAINING IN FY 75 TO MOVE FULL

100,000 TONS OF WHEAT FLOUR, WE STRONGLY RECOMMEND EMBASSY
PRESS FOR EARLY SIGNING. IF CEYLONese CONTINUE TO HAVE
PROBLEMS WITH U.S. POSITION OUTLINED PARAS ONE THROUGH
FOUR, YOU SHOULD PROVIDE FULL ANALYSIS OF CEYLONese OB-
JECTIONS ON URGENT BASIS.

7. WITH REFERENCE TO QUESTION RAISED COLOMBO 589, CORRECT
CITATION OF PASSAGE IS PART ONE, ARTICLE ONE, B.2 WHICH
STATES U.S. FINANCING IS SUBJECT TO COMMODITY AVAILABILITY.
INGERSOLL

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